



IKATAN AKUNTAN INDONESIA  
Institute of Indonesia Chartered Accountants



# Introduction to IFRS Sustainability Disclosure Standards

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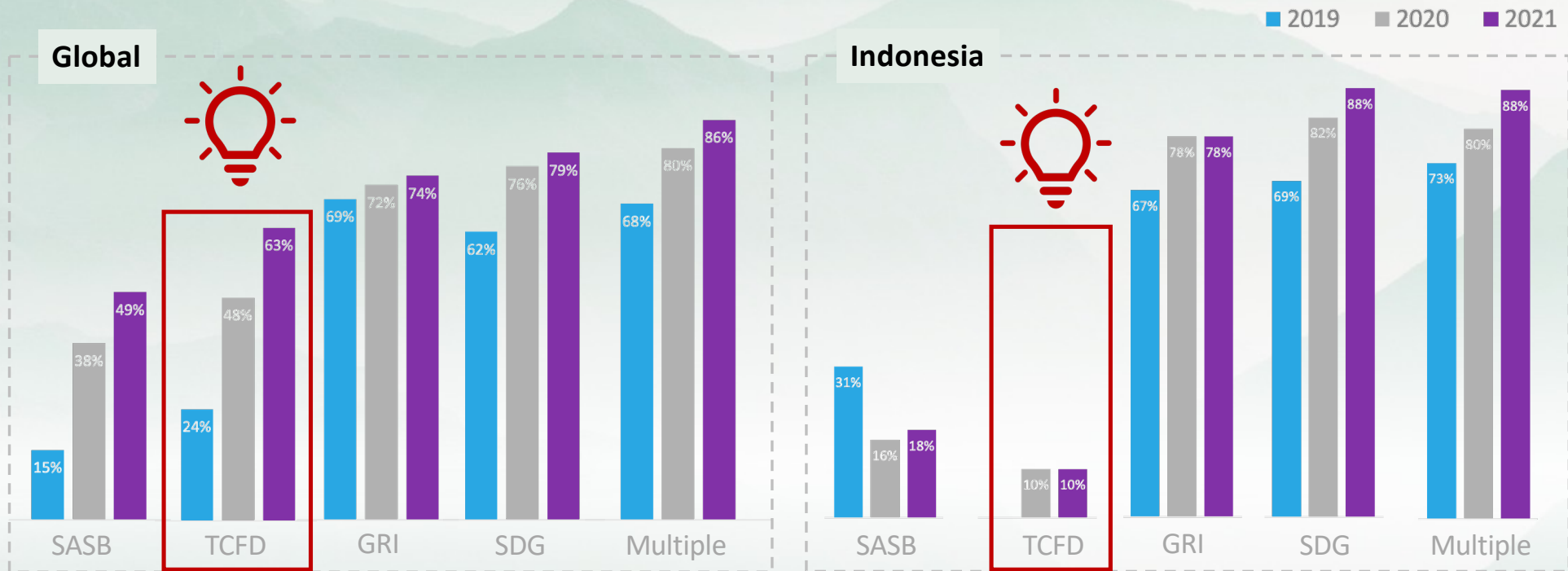
**Pelantikan Kompartemen Akuntan Sektor Bisnis**

**22 Desember 2023**

## Disclaimer

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# Reporting Landscape: ESG Reporting Framework and Standards



- Data highlights the **lack of consistency and comparability** that persists without harmonized global standards.
- The **use of multiple frameworks & standards is increasing** from 68% to 86% in 2021.
- Indonesia has only **10% companies** who published **TCFD disclosure**. This will be one of the obstacle companies in Indonesia have to face when they apply IFRS S1 and S2.

# Current Practice & Challenges Increase Demand for Disclosure of Sustainability Information

Globally, the number of reporting companies has **steadily increased**, but currently there are still **challenges** faced by companies

## Alphabet Soup of Acronyms

- **Fragmented standard**, with variety of users and their reporting objectives
- **Intimidating** and **overwhelming** anyone who want to grasp the basics
- **Confusion** among users of sustainability information, perpetuates inefficiency, increased cost, and lack of trust

### STANDARDS

Specific rules for ESG measurement and disclosure



1997



2011

### INDICES

Allow investors to track the performance of a company through their ESG reports.

Examples: Dow Jones Sustainability Indices (DJSI) and Bloomberg

### RATINGS

Agencies that collate information through surveys and other methodologies to gather ESG data from different organisations  
Examples: Sustainalytics

### FRAMEWORKS

High-level guidelines that provide principles and guidance for how information should be disclosed



2000



2007



2010



2015



2021

## Greenwashing

- **Mislead investors** as to the true risks, rewards, and pricing of investment assets
- Represent a **threat** to the accuracy, reliability, and transparency of sustainability reporting
- Lead to a **decline in consumer confidence** in a company's brand and products

## Lack of Assurance

- Lack of standardization
- Decrease trusts and confidences in sustainability information

## Leading to

- Growing and urgent demand for global standards
- Need for **consistency** in reporting and **comparable** information within **interconnected corporate reporting**

# Sustainability | Regulatory and Framework

## Understanding the Frameworks

	POJK 51/2017	GRI Standards	TCFD	ISSB Standard	SASB Standard
Jurisdiction	Indonesia	International	International	International	International
Applicability	Public companies, Financial Services Institutions and Issuers	All Companies and organizations	All Companies and organizations	All Companies and organizations	All Companies and organizations
Focus	<b>Sustainable finance.</b> Create <b>sustainable economic growth</b> by aligning <b>economic and social interests with the environment.</b>	Sustainability pillar which addresses a <b>company's external impacts on society and the environment.</b>	Financial pillar which addresses <b>climate change related financial impacts</b> on company.	Financial pillar which addresses <b>sustainability-related financial impacts</b> on company. ISSB <b>enhanced detail and scope than TCFD</b> and embed industry-based approaches	Focus on <b>sustainability issues expected to have a financially material impact</b> on the company, aimed at serving the needs of most investors and other providers of financial capital.
Requirement	Companies are required to submit: <ul style="list-style-type: none"> <li>➤ Sustainable Finance Action Plan</li> <li>➤ Sustainability report in accordance to POJK 51 requirements</li> </ul>	<ul style="list-style-type: none"> <li>➤ Universal Standards</li> <li>➤ Sector Standards</li> <li>➤ Topic Standards</li> </ul>	<ul style="list-style-type: none"> <li>➤ Governance Strategy</li> <li>➤ Risk management</li> <li>➤ Targets and metrics</li> </ul>	Currently available: <ul style="list-style-type: none"> <li>➤ IFRS S1 – General requirements</li> <li>➤ IFRS S2 – Climate-related disclosures</li> </ul> With main structure similar to TCFD	<b>Industry-specific disclosure topics and related accounting metrics</b>

# Countries Committed to ISSB Standards

## Brazil

ISSB standards will be voluntary beginning in 2024 but will shift to mandatory use on Jan 1, 2026, as part of mandatory IFRS accounting standards

## Singapore

SRAC launch consultation in July 2023 which proposes that SR standards will align with ISSB Standards, with climate only first. Effective in FY 2025 for listed companies and FY2027 for non listed companies. Assurance for reporting will be mandatory, two years after reporting.

## Hong Kong

- HKEX launched a consultation in April 2023, which proposes to mandate all issuers to make climate-related disclosures, aligned with the ISSB.
- It expected to be adopted in 2024

## Australia

AASB has released Exposure Draft ED SR1, which includes three draft Australian Sustainability Reporting Standards (ASRS Standards) which will be mandatory for large businesses and financial institutions. Effective date: 1 July 2024.

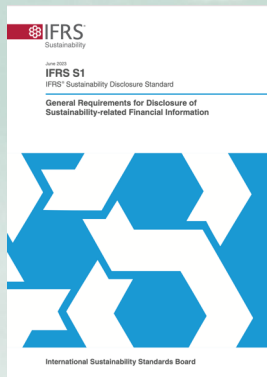
## Bolivia

National Technical Council of Auditing and Accounting (CTNAC) of Bolivia declare commitment to continue adopting ISSB Standards in December 2023.

## Japan

SSBJ will issue draft sustainability disclosure standards based on the ISSB standards by 31 March 2024 and will finalize the standards by 31 March 2025

# IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information



## Objective

require an entity to **disclose information about its sustainability-related risks and opportunities** that is useful to **primary users\*** of **general-purpose financial reports** in making decisions relating to providing resources to the entity.

IFRS S1 Equivalent to IFRS Accounting Standards IAS 1 and IAS 8.

Effective Date: **1 January 2024** with earlier application permitted

\*existing and potential investors, lenders and other creditors

## Core Contents

### Linked to Financial Statement:



Materiality



Reporting entity



Timing



Qualitative characteristics of useful sustainability-related financial information



Location:

- Required to disclose **as part of its general-purpose financial reports**.
- Does **not specify a location** for disclosure within general purpose financial reports and **allows for additional information**, to facilitate application in different jurisdictions

### Governance

The governance processes, controls and procedures the company uses to monitor, manage and oversee sustainability-related risks and opportunities

### Strategy

The approach for managing sustainability-related risks and opportunities that could affect the company's prospects, business model and value chain

### Risk Management

The processes the company uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities

### Metrics and Targets

Information used to measure and monitor the company's performance in relation to sustainability-related risks and opportunities, including progress towards any company-set and mandated targets.



## Objective

Require an entity to disclose information about its **climate-related risks and opportunities** that is useful to **primary users\* of general-purpose financial reports** in making decisions relating to providing resources to the entity.

In applying IFRS S2, a company is **required also to apply IFRS S1**

Effective Date: **1 January 2024** with earlier application permitted

\*existing and potential investors, lenders and other creditors

## Core Contents

### Governance

Requires disclosure of material information about the **governance processes, controls and procedures** a company uses to **monitor, manage and oversee** climate-related risks and opportunities

### Strategy

Requires a company to disclose material information about the **company's strategy** for **managing** climate-related risks and opportunities.  
IFRS S2 also requires a company to use **climate-related scenario analysis** to inform its disclosures about its resilience to climate change.

### Risk management

Requires a company to disclose material information about the **processes** the company uses to **identify, assess, prioritise and monitor** climate-related risks and opportunities

### Metrics and targets

Requires a company to disclose **metrics and targets** to enable investors to understand the **company's performance** in relation to its material climate-related risks and opportunities  
These metrics and targets include disclosure of a company's absolute **GHG emissions**, expressed as CO<sub>2</sub>e and calculated using the GHG Protocol Corporate Standard.



Disclose **ALL** sustainability-related risks and opportunities



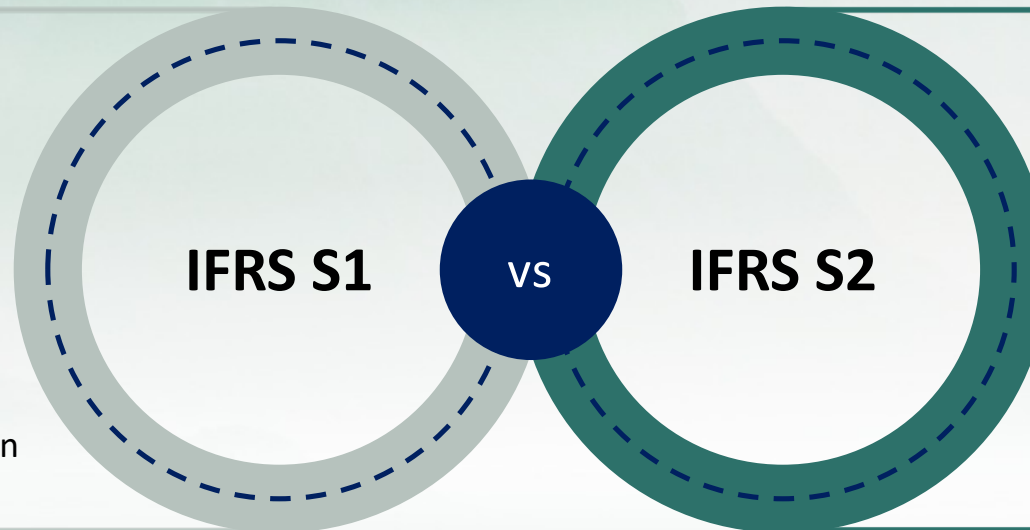
Risks associated with **water scarce**



Opportunity to use less **resource-intensive** materials in products and packaging.



**Human rights issue** in manufacturers supply chain



Disclose **ONLY** climate-related risks and opportunities

**Extreme temperatures** affect entity's operations, supply chain, transportation needs or employee safety



Changing consumer preferences towards **lower-carbon products** to gain market share



**[IFRS S1 Par. 55 and Par. C1-C3]**

To identify **risks and opportunities** to report, entity uses ISSB Standards and shall consider **SASB Standards**. A company also **may consider**:

- **CDSB Framework application guidance**
- Industry practice
- Materials of investor-focused standard setters

When making judgments in the absence of an ISSB Standard, an entity may use **GRI** and **ESRS** for assistance, as long as they do not conflict with the objectives and do not obscure material information required by ISSB Standards.

**[IFRS S2 Par. 12]**

To identify **climate-related risks and opportunities** to report, the entity shall refer to and consider the applicability of the industry-based disclosure topics defined in the **Industry-based Guidance on Implementing IFRS S2**.

# Building Block Approach

## Sustainability reporting (broader multi-stakeholder focus)

Reporting on all sustainability matters that reflect significant positive or negative impacts on people, the environment and the economy

Jurisdictional initiatives

## Sustainability-related financial disclosures (investor focus)

Reporting on those sustainability-related matters that may reasonably create or erode enterprise value over the short, medium and long term



Investor  
focused  
general-  
purpose  
financial  
reporting

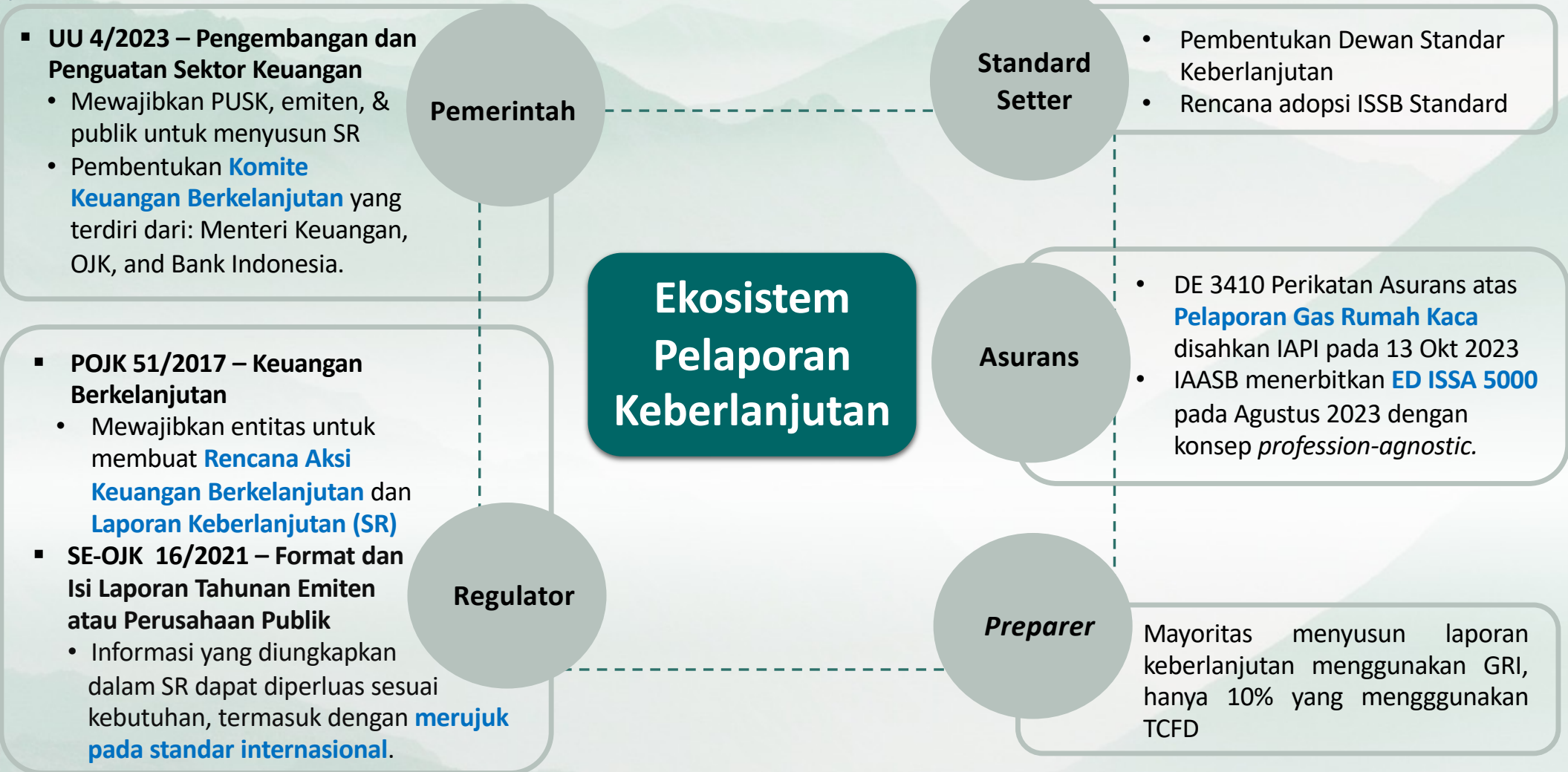
## Financial reporting (investor focus)

Reflected in monetary amounts in the financial statements



Integrated Reporting

Information needs are not static and can move over time



## Struktur Tata Kelola Standar Keberlanjutan IAI

Menggunakan mekanisme **two tiers governance** untuk menjamin penguatan governansi dan akuntabilitas dalam proses penyusunan standar keberlanjutan.

**Fungsi tata kelola, strategi, dan pengawasan**

**DP-SK IAI**  
Dewan Pemantau Standar Keberlanjutan IAI

Terdiri dari berbagai pemangku kepentingan, antara lain dari:



**Fungsi Penyusunan Standar**

**DSK IAI**  
Dewan Standar Keberlanjutan IAI



Praktisi Akademisi Industri NGO

Untuk mendukung DPSK dan DSK IAI, DPN IAI juga telah mengesahkan pembentukan:

### **The Indonesia Sustainability Reporting Forum (ISRF)**

- Keanggotaan terdiri dari perwakilan entitas.
- Wadah komunikasi dan diskusi isu-isu terkait pelaporan berkelanjutan.

### **Tim Kerja Keberlanjutan (TKK)**

- TKK memberikan dukungan teknis kepada DSK IAI.
- Anggota TKK akan diseleksi oleh perwakilan DPSK dan Ketua DSK.

Ketua DPSK IAI



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## DP-SK IAI

Dewan Pemantau Standar Keberlanjutan IAI

1. memberikan arahan strategis, kebijakan dan rekomendasi kepada DSK IAI mengenai penyusunan standar keberlanjutan di Indonesia;
2. melakukan seleksi anggota DSK IAI pada periode berikutnya dan mengusulkan hasilnya kepada DPN IAI;
3. menyetujui usulan rencana strategis DSK untuk ditetapkan DPN IAI;
4. memonitor dan mengawasi rencana strategis DSK IAI;
5. memberi pertimbangan dan menyetujui program kerja tahunan yang disusun oleh DSK IAI. Pertimbangan terbatas pada pandangan umum mengenai prioritas program kerja DSK IAI, tidak mencakup substansi standar keberlanjutan;
6. mengevaluasi kinerja DSK IAI; dan
7. membantu proses koordinasi dengan berbagai pemangku kepentingan yang dibutuhkan oleh DSK IAI dalam pengembangan standar keberlanjutan secara keseluruhan.

Ketua DSK IAI



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## DSK IAI

### Dewan Standar Keberlanjutan IAI

1. mempersiapkan, merumuskan, menetapkan standar keberlanjutan sesuai dengan *due process procedure*;
2. mengusulkan rencana strategis dan program kerja tahunan DSK IAI kepada DPSK IAI;
3. melakukan konsultasi publik dalam rangka penyusunan program kerja tahunan;
4. melakukan kajian dan riset terkait penyusunan standar keberlanjutan; dan
5. menjawab pertanyaan dari publik terkait standar keberlanjutan dalam hal dipandang perlu berdasarkan pertimbangan DSK IAI.

# Preparation for Implementation of IFRS Sustainability Disclosure Standards

- 1 Build awareness across organizations
- 2 Conduct gap analysis
- 3 Structure sustainability-related governance process

Management Body

Organizational Structure

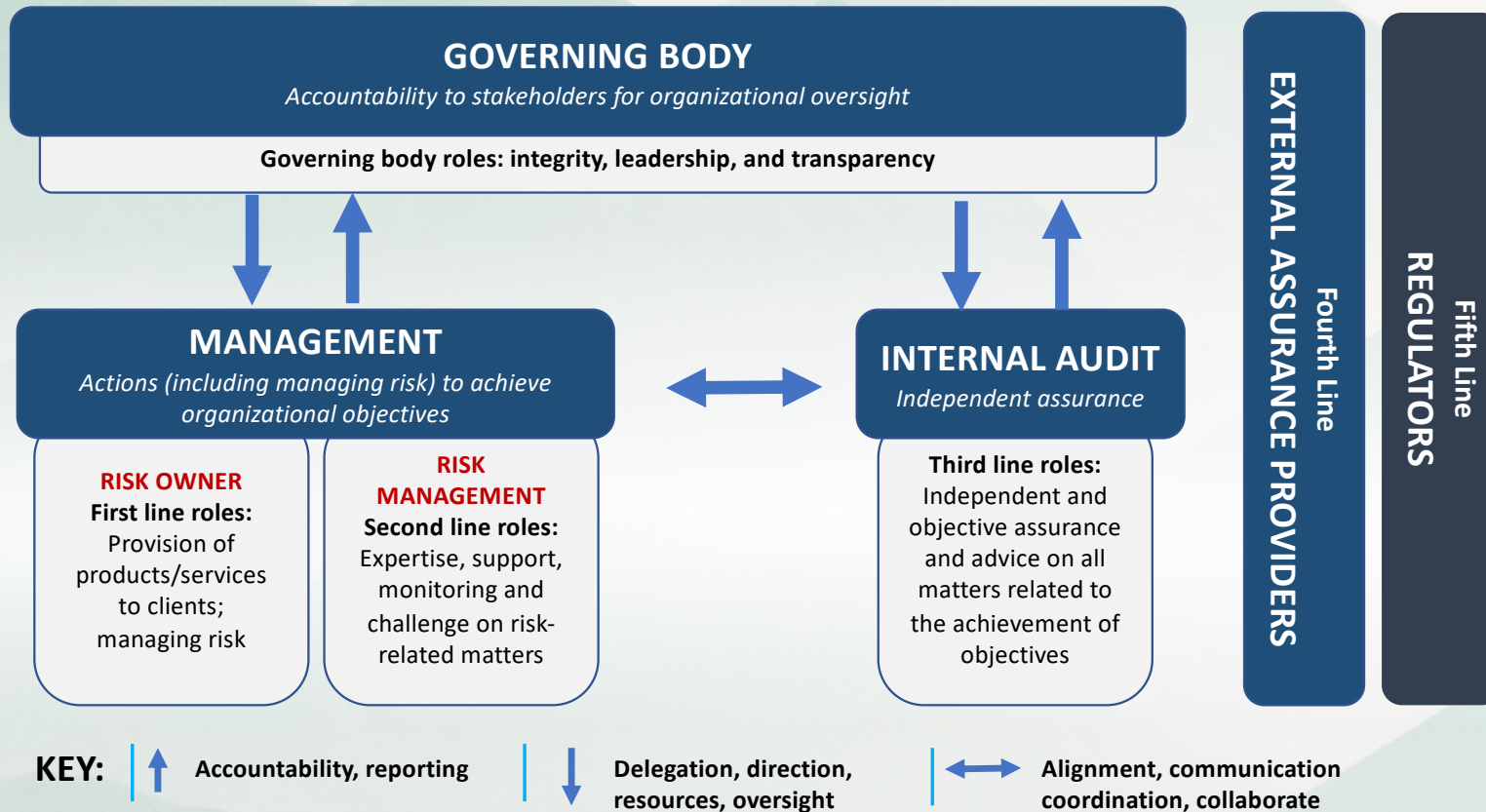
Risk Management

- 4 Implement the Standards
- 5 Assurance

Internal Assurance

External Assurance

# Ensure Quality and Reliability of Sustainability Reporting through Adapting Modified Three Lines Model





# Sustainability Initiatives Latest Updates

1

- On 20 Dec 2023, ISSB publish **amendments to the SASB Standards** to enhance their international applicability.
- No longer US-centric standards (e.g. no longer refer to US-specific regulations)

2

- On 4 Dec 2023, IFRS Foundation launches **IFRS Sustainability knowledge hub** in support of global drive to build capacity for the ISSB Standards.
- Educational Material, videos, articles from other sustainability initiatives, etc.

3

- On 3 Dec 2023, **IFRS Foundation and International Organization for Standardization (ISO) commit to future cooperation** towards effective communication about sustainability-related risks and opportunities
- ISO 14000 Environmental management and greenhouse gas emission standards can help companies that have sustainability and climate commitments implement them, and support disclosures in line with IFRS S2.

4

- On 9 Nov 2023, IFRS Foundation & GRI collaborate to launch **Sustainability Innovation Lab**.
- Some of the expected outcomes are joint project identification within the Research Platforms and better comparable data for investors and other stakeholders

5

- On 19 Sept 2023, the **Taskforce on Nature-related Financial Disclosures (TNFD)** published set of recommendations.
- Built on the widely-adopted TCFD framework and **consistent with ISSB Standards** – it is expected to be the baseline standard for nature-related risk reporting.



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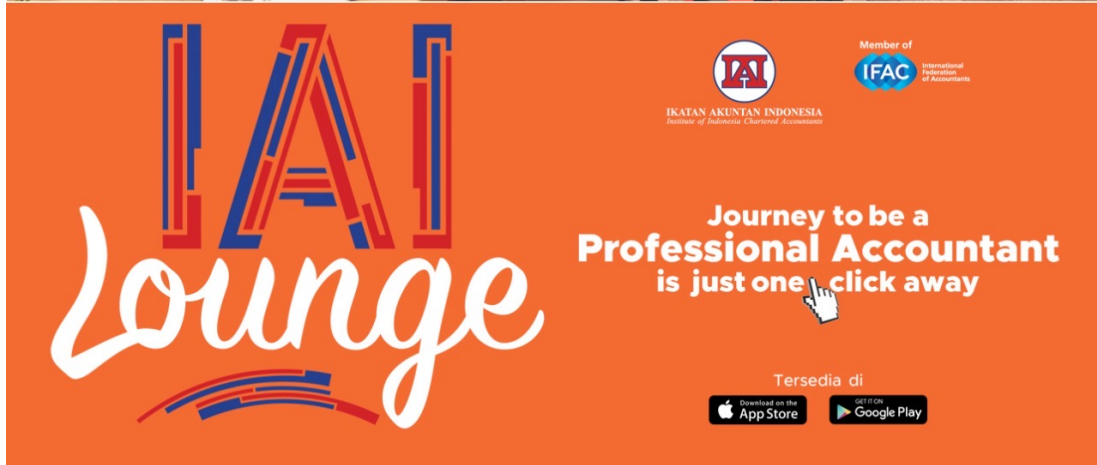


# THANK YOU

CA IS A DIFFERENCE  
MAKER



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